

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2008

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2008**

Independent Auditor's Report	<u>Page</u> 1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements:	
Balance Sheet – Governmental Funds	14-15
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets.....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17-18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	19
Statement of Net Assets – Proprietary Funds.....	20
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds.....	21
Statement of Cash Flows – Proprietary Funds	22
Statement of Fiduciary Net Assets – Fiduciary Funds	23
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	24

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
TABLE OF CONTENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

Notes to the Basic Financial Statements.....	25-37
Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	39
Schedule of Expenditures of Federal Awards	40-41
Notes to the Schedule of Expenditures of Federal Awards	42
Combining Statements – Nonmajor Funds:	
Combining Balance Sheet – Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	44
Schedule of Receipts, Disbursements and Fund Balances – Activity Funds:	
Statement of Receipts, Disbursements and Fund Balances – All Activity Funds	45
Statement of Receipts, Disbursements and Fund Balances – Bardstown Independent High School Activity Fund.....	46-48
Independent Auditor’s Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>.....	49-50
Schedule of Findings and Questioned Costs	51-53
Schedule of Prior Year Audit Findings	54
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	55-56
Management Letter Comments	57-59

BROWN & COMPANY

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William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky 40004

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units, and the remaining fund information of Bardstown Independent School District, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bardstown Independent School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; the provisions of Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the audit requirements prescribed by the Kentucky State Committee for School District Audits in Appendix I of the Independent Auditor's Contract - General Audit Requirements, Appendix II of the Independent Auditor's Contract - State Audit Requirements, and Appendix III of the Independent Auditor's Contract - Electronic Submission. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units, and remaining fund information of the Bardstown Independent School District, as of June 30, 2008, and the respective changes in financial position, and cash flows where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2008, on our consideration of the Bardstown Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Bardstown Independent School District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the Bardstown Independent School District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brown & Company CPA's

Bardstown, Kentucky
November 13, 2008

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2008**

As management of the Bardstown Independent School District (District), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2008. The information presented here should be considered in conjunction with additional information found within the District’s basic financial statements to enhance the understanding of the District’s financial performance.

FINANCIAL HIGHLIGHTS

- The ending cash balance for the District was \$2.4 million. The beginning cash balance for the District was \$1.58 million.
- The General Fund had \$16.4 million in revenue, which primarily consisted of the state program (SEEK), state on-behalf payments, and property, utility, and motor vehicle taxes. Excluding interfund transfers, there were \$16.9 million in General Fund expenditures.
- The District continues to act as fiscal agent for the City of Bardstown’s Reduce Alcohol Abuse Grant.
- Bonds are issued so the District can construct and renovate facilities consistent with the long-range facilities plan that is established with the community input and in keeping with Kentucky Department of Education (KDE) stringent compliance regulations. The District approved its long-range facility plan that will enable it to provide new technology for classrooms as well as important technology upgrades throughout the district. It will also begin partial window, ceiling, and lighting renovation for the high school and elementary school which will reduce utility costs.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District’s basic financial statements. The District’s basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District’s finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the District’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the district is improving or deteriorating.

The statement of activities presents information showing how the District’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, operation and maintenance of plant, student transportation and operation of non-instructional services. Fixed assets and related debt is also supported by taxes and intergovernmental revenues.

The government-wide financial statements can be found on pages 11 - 13 of this report.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
YEAR ENDED JUNE 30, 2008**

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. This is a state mandated uniform system and chart of accounts for all Kentucky public school districts utilizing the MUNIS administrative software. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental, proprietary funds and fiduciary funds. Fiduciary funds are trust funds established by benefactors to aid in student education, welfare and teacher support. The only proprietary funds are food service and day care operations. All other activities of the district are included in the governmental funds.

The basic governmental fund financial statements can be found on pages 14 - 24 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25 - 37 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$4.9 million as of June 30, 2008.

The largest portion of the District's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress); less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following Table 1 presents the net assets for the fiscal year ending June 30, 2008 as compared to the prior year.

**Net Assets for the Periods Ending June 30, 2008 and 2007
(Table 1)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Current and Other Assets	\$2,557,912	\$1,586,937	\$238,220	\$286,033	\$2,796,132	\$1,872,970
Capital Assets, Net	<u>26,058,852</u>	<u>26,889,918</u>	<u>224,161</u>	<u>252,869</u>	<u>26,283,013</u>	<u>27,142,787</u>
Total Assets	<u>28,616,764</u>	<u>28,476,855</u>	<u>462,381</u>	<u>538,902</u>	<u>29,079,145</u>	<u>29,015,757</u>
Current Liabilities	1,555,476	1,251,116	4,629	1,151	1,560,105	1,252,267
Noncurrent Liabilities	<u>22,625,023</u>	<u>21,793,290</u>	<u>0</u>	<u>0</u>	<u>22,625,023</u>	<u>21,793,290</u>
Total Liabilities	<u>24,180,499</u>	<u>23,044,406</u>	<u>4,629</u>	<u>1,151</u>	<u>24,185,128</u>	<u>23,045,557</u>
Net Assets						
Investment in capital assets, (net of debt)	3,810,814	4,330,739	224,161	252,869	4,034,975	4,583,608
Restricted	6,993	544,057	547	0	7,540	544,057
Unrestricted	<u>618,458</u>	<u>557,653</u>	<u>233,044</u>	<u>284,882</u>	<u>851,502</u>	<u>842,535</u>
Total Net Assets	<u>\$4,436,265</u>	<u>\$5,432,449</u>	<u>\$457,752</u>	<u>\$537,751</u>	<u>\$4,894,017</u>	<u>\$5,970,200</u>

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
YEAR ENDED JUNE 30, 2008**

Comments on Budget Comparisons

- The District's total revenues for the fiscal year ended June 30, 2008, net of interfund transfers, were \$23.2 million.
- General fund budget compared to actual revenue varied slightly from line item to line item with the ending actual balance being \$2.4 million more than budget or approximately 17%. The variance is primarily explained by unbudgeted on-behalf payments made by the Commonwealth of Kentucky in the amount of \$3.3 million.
- The total cost of all programs and services was \$24.2 million including debt service.
- General fund budget expenditures to actual varied significantly in Instruction and Other Expenses. This resulted from the District not budgeting on-behalf payments made by the Commonwealth of Kentucky as instructed by the Department of Education and not having to spend budgeted contingency funds.

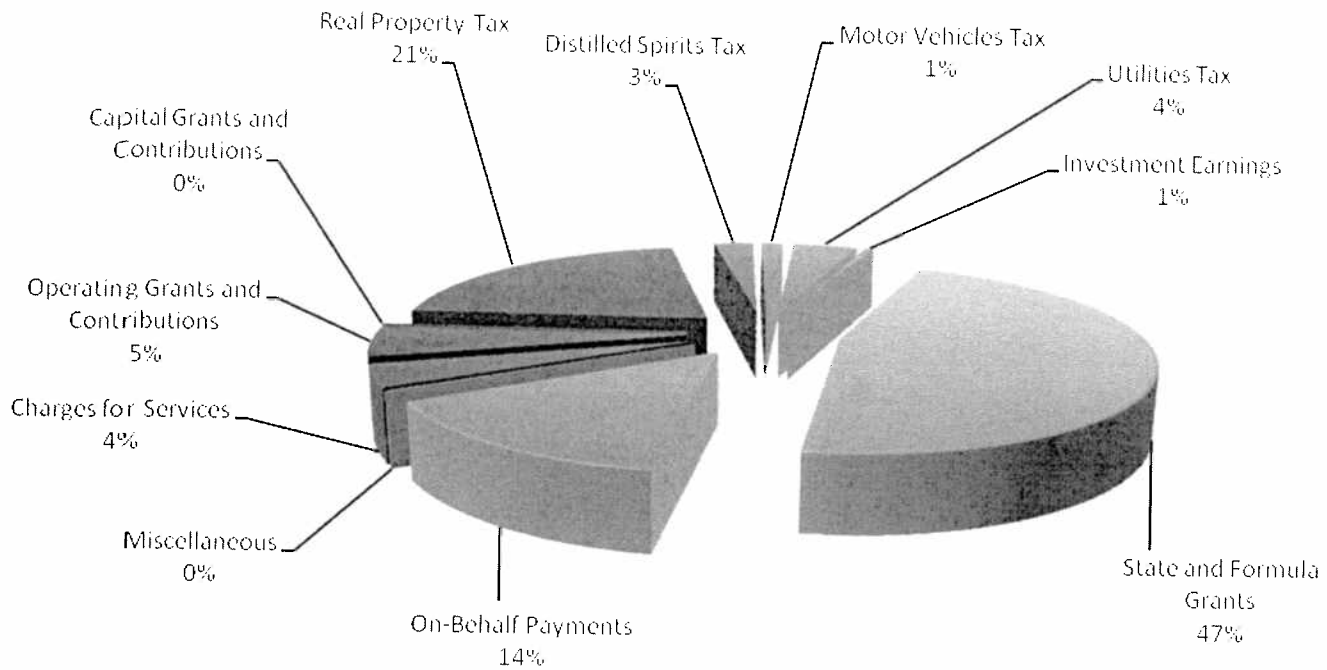
The following Table 2 presents a summary of changes in net assets for the fiscal year ended June 30, 2008 as compared to the prior year.

**Summary of Changes in Net Assets for the Periods Ending June 30, 2008 and 2007
(Table 2)**

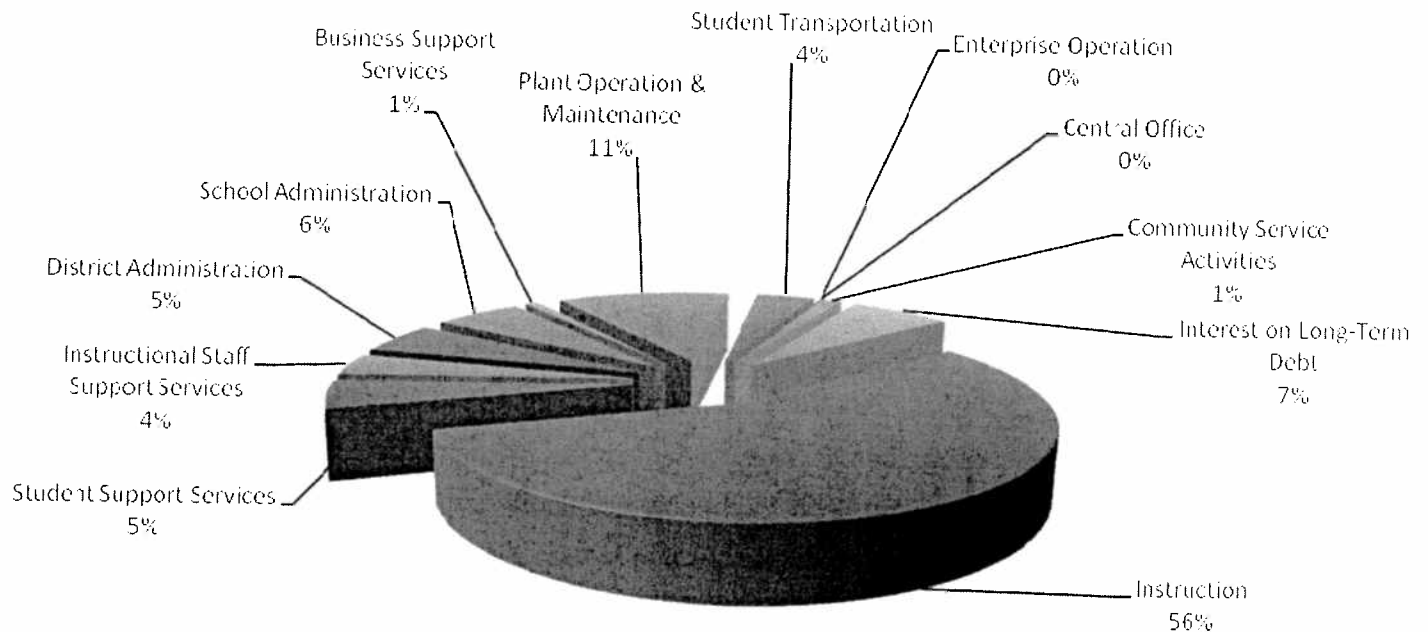
	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
REVENUES:						
Program revenues:						
Charges for services	\$55,995	\$135,201	\$821,915	\$838,057	\$877,910	\$973,258
Operating grants and contributions	60,742	51,735	1,153,048	1,172,034	1,213,790	1,223,769
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Real property taxes	4,983,473	4,599,746	-	-	4,983,473	4,599,746
Distilled spirits taxes	585,867	751,400	-	-	585,867	751,400
Motor vehicle taxes	324,517	331,636	-	-	324,517	331,636
Utility taxes	947,149	918,254	-	-	947,149	918,254
Investment earnings	110,899	205,383	10,336	12,621	121,235	218,004
State and formula grants	14,141,278	13,013,362	-	-	14,141,278	13,013,362
Miscellaneous	34,192	1,858	-	-	34,192	1,858
Los on disposal of assets	(1,720)	-	-	(160)	(1,720)	(160)
Total Revenues	21,242,392	20,008,575	1,985,299	2,022,552	23,227,691	22,031,127
EXPENSES:						
Program activities:						
Instruction	12,155,231	11,043,377	-	-	12,155,231	11,043,377
Student support	1,097,390	1,027,085	-	-	1,097,390	1,027,085
Instructional staff support	837,268	713,559	-	-	837,268	713,559
District admin. support	1,200,558	1,021,910	-	-	1,200,558	1,021,910
School admin. support	1,280,407	1,309,499	-	-	1,280,407	1,309,499
Business support	184,473	169,156	-	-	184,473	169,156
Plant operation and maint.	1,709,370	1,581,546	-	-	1,709,370	1,581,546
Student transportation	783,229	676,114	-	-	783,229	676,114
Enterprise operation	1,070	2,755	-	-	1,070	2,755
Community service activities	284,395	230,391	-	-	284,395	230,391
Interest costs	1,462,804	1,066,878	-	-	1,462,804	1,066,878
Depreciation	1,200,772	1,082,052	-	-	1,200,772	1,082,052
Business-type activities:						
Food service	-	-	1,261,062	1,206,227	1,261,062	1,206,227
Adult education	-	-	352,555	308,900	352,555	308,900
Child care	-	-	451,681	470,892	451,681	470,892
Total Expenses	22,196,967	19,924,322	2,065,298	1,986,019	24,262,265	21,910,341
Increase (Decrease) in Net Assets	\$(954,575)	\$84,253	\$(79,999)	\$36,533	\$(1,034,574)	\$120,786

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
YEAR ENDED JUNE 30, 2008**

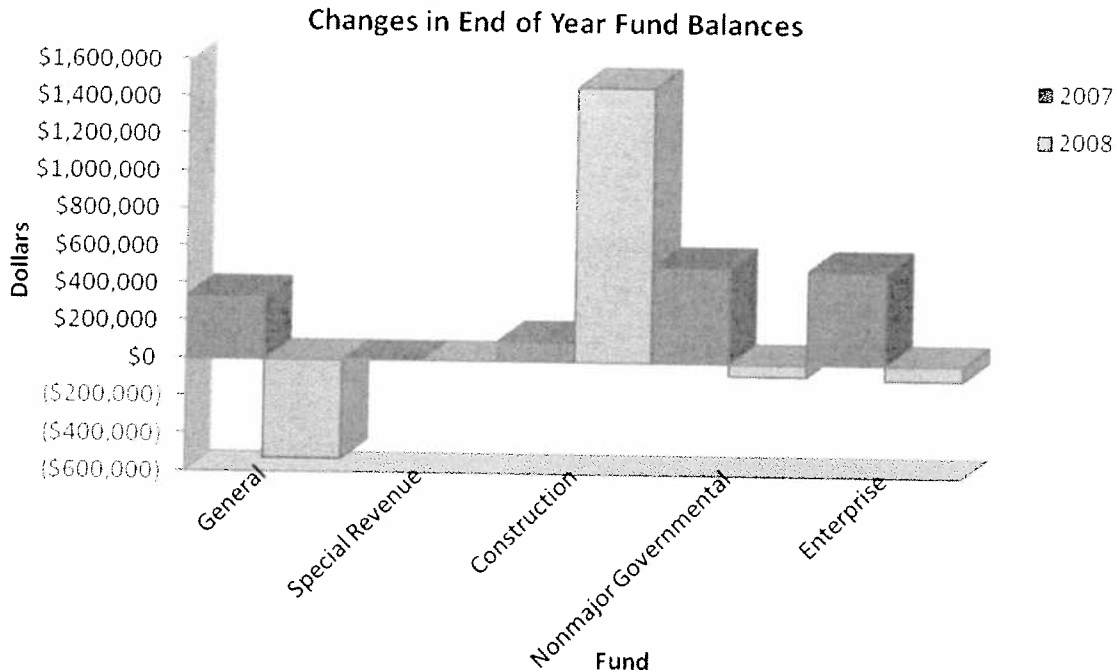
Sources of Revenues FY2008



Program Expenses FY2008



**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
YEAR ENDED JUNE 30, 2008**



GOVERNMENTAL ACTIVITIES

Instruction comprises 56.2% of governmental program expenses. Support services expenses make up 35.9% of governmental program expenses. Community service activities and interest on long-term debt governmental program expenses account for the remaining 7.9%.

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services by tax revenue and unrestricted state entitlements.

**Governmental Activities Total Cost of Services and Net Cost of Services
For the Periods Ending June 30, 2008 and 2007
(Table 3)**

	Total Cost of Services		Net Cost of Services	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Instruction	\$12,469,965	\$11,330,456	\$(12,373,821)	\$(11,159,845)
Support Services	7,979,803	7,296,221	(7,959,210)	(7,279,896)
Community Service Activities	284,395	230,767	(284,395)	(230,767)
Interest Costs	1,462,804	1,066,878	(1,462,804)	(1,066,878)
Depreciation	Allocated in above	Allocated in above	n/a	n/a
Total Expenses	\$22,196,967	\$19,924,322	\$(22,080,230)	\$(19,737,386)

BUSINESS-TYPE ACTIVITIES

The business-type activities include the food service operation, adult education and child care. These programs had total revenues of \$1,985,299 and expenses of \$2,065,298 for the fiscal year ended June 30, 2008. Of the revenues, \$821,915 was from charges for services, \$1,153,048 was from state and federal grants, and \$10,336 was from investment earnings. The food service operation also paid \$3,426 to the general fund for indirect costs. Business activities receive no support from tax revenues. The District will continue to monitor the charges and costs of these activities. If it becomes necessary, the District will increase charges for the activities to cover expenses.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
YEAR ENDED JUNE 30, 2008**

DISTRICT FUNDS

Information about the District's major funds starts on page 14. Those funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other funding sources of \$22,591,368 and expenditures and other financing sources of \$21,709,974. Net changes in fund balances for the year were most significant in the General Fund and Construction Fund.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

The District's budget is prepared according to Kentucky law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund. The Kentucky Department of Education requires a zero-based budget with any budgeted remaining fund balance shown as a contingency expense in the budget process. The Kentucky Department of Education does not allow the District to budget on-behalf payments made by the Commonwealth of Kentucky for retirement and insurance.

- The District's General Fund total revenues, including on-behalf payments of \$2,882,045, for the fiscal year ended June 30, 2008, were \$16,430,994. This was \$2,387,631 more than was budgeted in the final working budget. The favorable variance was due primarily to on-behalf payments being included in actual revenues but excluded from budgeted revenues in accordance with state mandate. Due to the unpredictable economy of the state and the possibility of funding cuts, revenues were budgeted conservatively. The District budgets for local revenues (taxes, earned interest, and tuition) in a conservative manner as well.
- General Fund expenditures budget shows a \$(2,215,825) unfavorable variance. The reason is because of the state mandate prohibiting the budgeting of on-behalf payments and the mandate to budget a contingency budget. The contingency is not meant to be expended, but is to be used as the District's beginning balance for the next year or for emergencies that cannot be reasonably foreseen and budgeted. The on-behalf payments included in actual expenditures totaled \$2,882,045 and the amount budgeted for contingency was \$647,773.
- The Final Budget and the Original Budget differ primarily because, following the budget cycle mandated by state law, the Original Budget is prepared by the end of February and adopted in May for the upcoming school year, at which time the state had not adopted their budget. The state SEEK formula is unpredictable as there could be adjustments to decrease or increase the budget based on the state revenue flows and estimates.
- The Special Revenue Fund budget compared to the actual will always differ slightly because the budget report only shows current fiscal year grant awards, whereas the Special Revenue Fund expenditures include current year and prior year grant expenditures that were not completed at the end of the prior fiscal year end.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By June 30, 2008, the District had invested \$4,034,975 in capital assets net of related debt. This included land, school buildings, athletic facilities, maintenance facilities, computer equipment and administrative offices. The cumulative total of assets was \$38,021,103 with accumulated depreciation of \$11,813,153. Table 4 shows fiscal year 2008 and 2007 balances.

**Capital Assets (Net of Accumulated Depreciation) at June 30, 2008 and 2007
(Table 4)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Land and land improvements	\$741,001	\$741,001	\$-	\$-	\$741,001	\$741,001
Buildings and improvements	22,978,241	31,858,337	-	-	22,978,241	31,858,337
Technology equipment	1,908,986	2,889,104	1,537	3,394	1,910,523	2,892,498
Vehicles	210,903	973,385	-	-	210,903	973,385
General equipment	46,878	875,167	222,624	563,263	269,502	1,438,465
Total	25,886,009	37,336,994	224,161	566,657	26,110,170	37,903,651
Construction in progress	97,780	-	-	-	97,780	-
TOTAL	\$25,983,789	\$37,336,994	\$224,161	\$566,657	\$26,207,950	\$37,903,651

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
YEAR ENDED JUNE 30, 2008**

Debt

At June 30, 2008 the District had \$23,655,748 in bonds and capital leases outstanding. Of this amount \$625,021 is to be paid from the KSFCC funding provided by the Commonwealth of Kentucky. A total of \$1,190,816 is due within one year.

At June 30, 2007, the District has \$22,751,148 in bonds and capital leases outstanding. Of this amount \$661,591 is to be paid from the KSFCC funding provided by the Commonwealth of Kentucky.

	<u>Balance 7-1-2007</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6-30-2008</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds Payable -					
Revenue Bonds, District Portion	\$21,636,109	\$2,293,148	\$(1,443,278)	\$22,485,979	\$1,033,578
Revenue Bonds, KSFCC Portion	661,591	266,852	(303,422)	625,021	67,422
KISTA Bus Capital Leases	453,448	165,487	(74,187)	544,748	89,816
Total Bonds Payable	<u>\$22,751,148</u>	<u>\$2,725,487</u>	<u>\$(1,820,887)</u>	<u>\$23,655,748</u>	<u>\$1,190,816</u>
Compensated Absences -					
Accrued Sick Leave	\$122,948	\$104,559	\$(67,416)	\$160,090	\$-

BUDGETARY IMPLICATIONS

It is extremely important that the District continue to budget very conservatively due to possibilities of reductions in the state funding formula (SEEK) which comprises approximately 48.2% of the District's general fund revenues each year. The SEEK forecasts from the state should be considered only an estimate of state revenue. Due to the volatility of this funding, the District should always be prepared for reductions in funding due to adjustments made by the state to the funding formula as a result of actual tax revenues of the state falling short of its estimated tax revenues.

Approximately 32.9% of the general fund revenue is derived from local property taxes, which are not received by the District until the fifth through the seventh months of the fiscal year. Therefore, the District must make provision in its beginning fund balance to absorb much of the first four months of expenditures each year.

In Kentucky, the public school fiscal year is July 1 through June 30; other programs (i.e. some federal and state) operate on a different fiscal calendar, but are reflected in the District's overall budget. By law, the budget must have a minimum 2% contingency; however, the state strongly suggests a 3% contingency and 5% is recommended. The District adopted a budget with \$647,773 in contingency, which is 4.0%. The ending cash and cash equivalents balance for General Fund was \$401,224 for the fiscal year ended June 30, 2008.

DISTRICT CHALLENGES FOR THE FUTURE

The primary challenges for the District in the future are to continue to reach the academic accountability goal of 100% proficient by 2014, continue to maintain our facilities, and to increase the average daily attendance percentage.

The District's challenge to reach the academic accountability goal established by the Commonwealth of Kentucky will be accomplished by making an intentional effort to teach core content and administer academic assessment to our students on a continuing basis.

The District's second challenge – maintaining our facilities – will be accomplished by implementing and monitoring our facilities plan for the coming four year cycle.

The third challenge to the District mentioned is the increasing of the average daily attendance percentage. The District received its SEEK funding through the state's funding formula based on this percentage. Increasing the percentage will be reached by implementing attendance incentive plans within each of our schools.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT – BARDSTOWN, KY
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A) - CONTINUED
YEAR ENDED JUNE 30, 2008**

ADDITIONAL CONTACT INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. Questions regarding this report or requests for additional information should be directed to Brent Holsclaw, Superintendent, 308 North Fifth Street, Bardstown, Kentucky, 40004, (502) 331-8800.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

Assets	Governmental Activities	Business-Type Activities	Total
<u>Current Assets</u>			
Cash & Cash Equivalents -	\$ 2,187,427	\$ 207,210	\$ 2,394,637
Inventory	-	31,010	31,010
Accounts Receivable	370,485	-	370,485
Total Current Assets	2,557,912	238,220	2,796,132
<u>Noncurrent Assets</u>			
Capital bond issuance costs, net of accumulated amortization	75,063		75,063
Capital assets, net of accumulated depreciation	25,983,789	224,161	26,207,950
Total Noncurrent Assets	26,058,852	224,161	26,283,013
Total Assets	28,616,764	462,381	29,079,145
Liabilities & Net Assets			
<u>Current Liabilities</u>			
Accounts Payable and Accrued Liabilities	89,827	4,629	94,456
Deferred Revenue	132,926	-	132,926
Current Portion of Bond Obligations	1,101,000	-	1,101,000
Current Portion of Capital Lease Obligations	89,816	-	89,816
Interest Payable	141,907	-	141,907
Total Current Liabilities	1,555,476	4,629	1,560,105
<u>Noncurrent Liabilities</u>			
Noncurrent Portion of Bond Obligations	22,010,000	-	22,010,000
Noncurrent Portion of Capital Lease Obligations	454,932	-	454,932
Noncurrent Portion of Accrued Sick Leave	160,091	-	160,091
Total Noncurrent Liabilities	22,625,023	-	22,625,023
Total Liabilities	24,180,499	4,629	24,185,128
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	3,810,814	224,161	4,034,975
Restricted For:			
Capital Projects	(810)	-	(810)
Debt Service	7,803	-	7,803
Grants	-	547	547
Unrestricted	618,458	233,044	851,502
Total Net Assets	\$ 4,436,265	\$ 457,752	\$ 4,894,017

See accompanying notes to financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

<u>FUNCTIONS / PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities:				
Instruction	\$ 12,469,965	\$ 35,402	\$ 60,742	\$ -
Support Services:				
Student	1,100,105	-	-	-
Instruction Staff	837,379	-	-	-
District Administration	1,202,240	-	-	-
School Administration	1,281,324	-	-	-
Business	186,043	-	-	-
Plant Operation & Maintenance	2,531,982	-	-	-
Student Transportation	839,480	20,593	-	-
Enterprise Operation	1,070	-	-	-
Central Office	180	-	-	-
Community Service Activities	284,395	-	-	-
Interest on Long-Term Debt	1,462,804	-	-	-
Total Governmental Activities	22,196,967	55,995	60,742	-
Business Type Activities:				
Food Service	1,261,062	378,748	900,774	-
Adult Education	352,555	42,665	209,316	-
Child Care	451,681	400,502	42,958	-
Total Business Type Activities	2,065,298	821,915	1,153,048	-
Total Primary Government	\$ 24,262,265	\$ 877,910	\$ 1,213,790	\$ -

See accompanying notes to financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

Net (Expense) Revenue And
Changes In Net Assets

	Governmental Activities	Business-Type Activities	Total
	\$ (12,373,821)	\$ -	\$ (12,373,821)
			\$ -
	(1,100,105)	-	\$ (1,100,105)
	(837,379)	-	\$ (837,379)
	(1,202,240)	-	\$ (1,202,240)
	(1,281,324)	-	\$ (1,281,324)
	(186,043)	-	\$ (186,043)
	(2,531,982)	-	\$ (2,531,982)
	(818,887)	-	\$ (818,887)
	(1,070)	-	\$ (1,070)
	(180)	-	\$ (180)
	(284,395)	-	\$ (284,395)
	(1,462,804)	-	\$ (1,462,804)
	(22,080,230)	-	(22,080,230)
	-	18,460	18,460
	-	(100,574)	(100,574)
	-	(8,221)	(8,221)
	-	(90,335)	(90,335)
	(22,080,230)	(90,335)	(22,170,565)
General Revenues:			
Taxes:			
Real Property	4,983,473	-	4,983,473
Distilled Spirits	585,867	-	585,867
Motor Vehicle	324,517	-	324,517
Utility	947,149	-	947,149
Investment Earnings	110,899	10,336	121,235
State & Formula Grants	10,830,790	-	10,830,790
On-Behalf Payments- State	3,310,488	-	3,310,488
Miscellaneous	34,192	-	34,192
Loss on Disposal of Capital Assets	(1,720)	-	(1,720)
Change In Net Assets	(954,575)	(79,999)	(1,034,574)
Net Assets - Beginning	5,432,449	537,751	5,970,200
Prior Period Adjustment	(41,609)	-	(41,609)
Net Assets - Ending	\$ 4,436,265	\$ 457,752	\$ 4,894,017

See accompanying notes to financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General Fund</u>	<u>Special Revenue</u>
Assets & Resources:		
Cash & Cash Equivalents	401,224	100,572
Receivables -		
Delinquent Property Taxes	154,399	-
Due from Other Funds	-	-
Due from State Government	-	14,401
Due from Federal Government	-	26,088
Accounts	139,150	36,447
Investments	-	-
	<u> </u>	<u> </u>
Total Assets & Resources	<u><u>\$ 694,773</u></u>	<u><u>\$ 177,508</u></u>
 Liabilities & Fund Balances:		
Liabilities		
Accounts Payable	\$ 31,313	\$ 44,582
Accrued Liabilities	13,068	-
Deferred Revenue	-	132,926
	<u> </u>	<u> </u>
Total Liabilities	<u>44,381</u>	<u>177,508</u>
 Fund Balances:		
Reserved:		
Prior Year Encumbrances	79	15,307
Future Construction	-	-
Unreserved:		
Undesignated, reported in:		
General Fund	650,313	-
Special Revenue Funds	-	(15,307)
Capital Projects Funds	-	-
Permanent Funds	-	-
	<u> </u>	<u> </u>
Total Fund Balances	<u>650,392</u>	<u> </u>
	<u><u>\$ 694,773</u></u>	<u><u>\$ 177,508</u></u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET -
GOVERNMENTAL FUNDS
JUNE 30, 2008**

Construction Fund	Other Governmental Funds	Total Governmental Funds
1,479,663	205,968	2,187,427
-	-	154,399
-	-	-
-	-	14,401
-	-	26,088
-	-	175,597
-	-	-
<u>\$ 1,479,663</u>	<u>\$ 205,968</u>	<u>\$ 2,557,912</u>
 \$ -	 \$ 863	 \$ 76,758
-	-	13,068
-	-	132,926
<u>-</u>	<u>863</u>	<u>222,752</u>
 -	 -	 15,386
1,479,663	-	1,479,663
-	-	650,313
-	-	(15,307)
-	205,105	205,105
-	-	-
<u>1,479,663</u>	<u>205,105</u>	<u>2,335,160</u>
<u>\$ 1,479,663</u>	<u>\$ 205,968</u>	<u>\$ 2,557,912</u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET -
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008**

Fund balances - total governmental funds		\$ 2,335,160
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:		
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Governmental capital assets	-	
Accumulated depreciation	<u>25,983,789</u>	25,983,789
Long-term liabilities (such as bonds payable, the long-term portion of accrued sick leave, and accrued interest) are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(23,882,683)
Rounding		<u>(1)</u>
Net assets of governmental activities		<u><u>\$ 4,436,265</u></u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>General Fund</u>	<u>Special Revenue</u>
Revenues:		
From Local Sources		
Taxes		
Property	\$ 4,133,550	\$ -
Motor Vehicle	324,517	-
Utilities	947,149	-
Tuition and Fees	30,609	12,567
Earnings on Investments	109,466	1,432
Other Local Revenues	33,608	61,328
Intergovernmental - Intermediate	-	-
Intergovernmental - State	10,851,961	1,009,858
Intergovernmental - Indirect Federal	-	1,388,473
Intergovernmental - Direct Federal	134	34,497
Total Revenues	<u>16,430,994</u>	<u>2,508,155</u>
Expenditures		
Instruction	10,238,821	2,084,015
Support Services:		
Student	886,402	210,988
Instructional Staff	692,295	144,973
District Administration	1,200,558	-
School Administrative	1,280,407	-
Business	184,472	-
Plant Operation & Maintenance	1,386,217	-
Student Transportation	775,427	7,802
Enterprise Operation	1,070	-
Facilities Acquisition & Construction	-	-
Community Service Activities	167,052	117,343
Debt Service	89,608	-
Total Expenditures	<u>16,902,329</u>	<u>2,565,121</u>
Excess (Deficit) of Revenues Over Expenditures	(471,335)	(56,966)
Other Financing Sources (Uses)		
Proceeds from Sale of Bonds	-	-
Proceeds from Sale of Fixed Assets	400	-
Operating Transfers In	-	56,966
Operating Transfers Out	(53,540)	-
Total Other Financing Sources (Uses)	<u>(53,140)</u>	<u>56,966</u>
Excess (Deficit) of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	(524,475)	-
Fund Balance, July 1, 2007, as previously reported	676,310	-
Net effect of correction of prior period error	<u>498,557</u>	<u>-</u>
Fund Balance, June 30, 2008	<u>\$ 650,392</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

<u>Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 1,435,791	\$ 5,569,341
-	-	324,517
-	-	947,149
-	-	43,176
-	-	110,898
-	-	94,936
-	-	-
-	539,062	12,400,881
-	-	1,388,473
-	-	34,631
<u>-</u>	<u>1,974,853</u>	<u>20,914,002</u>
-	-	12,322,836
-	-	1,097,390
-	-	837,268
-	-	1,200,558
-	-	1,280,407
-	-	184,472
-	323,153	1,709,370
-	-	783,229
-	-	1,070
97,780	-	97,780
-	-	284,395
<u>52,422</u>	<u>1,715,629</u>	<u>1,857,659</u>
150,202	2,038,782	21,656,434
(150,202)	(63,929)	(742,432)
1,620,000	-	1,620,000
-	-	400
-	-	56,966
-	-	(53,540)
<u>1,620,000</u>	<u>-</u>	<u>1,623,826</u>
1,469,798	(63,929)	881,394
(140,539)	767,591	1,303,362
<u>150,404</u>	<u>(498,557)</u>	<u>150,404</u>
<u>\$ 1,479,663</u>	<u>\$ 205,105</u>	<u>\$ 2,335,160</u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008**

Net change in fund balances - total governmental funds	\$ 881,394
Amounts reported for <i>governmental activities</i> in the statement of activities are different because of the following:	
Governmental funds report capital outlays as expenditures and proceeds from the sales of capital assets as current financial resources. However, in the statement of activities, the cost of these assets is depreciated over their estimated useful economic lives and the gain or loss on the disposition is recognized.	(906,084)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. The following is the amount by which proceeds exceeded repayments.	(1,225,145)
Expenses are recognized in governmental funds only when current financial resources are used, but expenses are recognized in the statement of activities when they are incurred. The following is the amount resulting from this timing difference.	(37,143)
Governmental funds do not report participation from government agencies in retiring district debt as revenues because there is no actual receipt of financial resources. However, in the statement of activities, the amount of participation from government agencies in retiring district debt is reported as revenue. The amount of principal and interest paid by other government agencies to retire district debt in the current fiscal year is as follows.	330,111
Governmental funds report interfund transactions, but interfund transactions are eliminated in the statement of activities.	2,294
Rounding	(2)
Change in net assets of governmental activities.	<u>\$ (954,575)</u>

See accompanying notes to financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS -
PROPRIETARY FUNDS
JUNE 30, 2008

Assets	Business-Type Activities - Enterprise Funds			
	Food Service	Day Care	Adult Education	Total
<u>Current Assets</u>				
Cash & Cash Equivalents	\$ 254,826	\$ (44,756)	\$ (2,860)	\$ 207,210
Inventory	31,010	-	-	31,010
Accounts Receivable	-	-	-	-
Due from Other Funds	-	-	-	-
Due from State Government	-	-	-	-
Total Current Assets	285,836	(44,756)	(2,860)	238,220
<u>Noncurrent Assets</u>				
Capital Assets	565,657	-	-	565,657
Accumulated Depreciation	(341,496)	-	-	(341,496)
Total Noncurrent Assets	224,161	-	-	224,161
Total Assets	509,997	(44,756)	(2,860)	462,381
Liabilities & Net Assets				
<u>Current Liabilities</u>				
Accounts Payable	689	683	3,257	4,629
Accrued Expenses	-	-	-	-
Due to Other Funds	-	-	-	-
Total Current Liabilities	689	683	3,257	4,629
<u>Net Assets</u>				
Invested in Capital Assets, Net of Related Debt	224,161	-	-	224,161
Reserved for Inventories	31,010	-	-	31,010
Restricted for Grants	547	-	-	547
Unrestricted and Unreserved	253,590	(45,439)	(6,117)	202,034
Total Net Assets	\$ 509,308	\$ (45,439)	\$ (6,117)	\$ 457,752
Adjustment to reflect the elimination of interfund transactions				3,426
Net of Business-type Activities				\$ 461,178

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
FUND NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Business-Type Activities - Enterprise Funds			
	Food Service	Day Care	Adult Education	Total
Operating Revenues:				
Lunchroom Sales	\$ 378,748	\$ -	\$ -	\$ 378,748
Child Care Fees	-	400,502	-	400,502
Other Revenues	-	-	42,665	42,665
Total Operating Revenues	378,748	400,502	42,665	821,915
Operating Expenses:				
Personnel Services	688,513	417,114	352,555	1,458,182
Contractual Services	15,652	718	-	16,370
Materials & Supplies	521,198	30,689	-	551,887
Facilities Acquisition and Construction	692	117	-	809
Depreciation	28,708	-	-	28,708
Other Operating Expenses	6,299	3,043	-	9,342
Total Operating Expenses	1,261,062	451,681	352,555	2,065,298
Operating Income (Loss)	(882,314)	(51,179)	(309,890)	(1,243,383)
Non-Operating Revenues (Expenses):				
Federal Grants - Indirect	700,397	-	41,983	742,380
State Grants	203,803	42,958	167,333	414,094
Interest Income	10,336	-	-	10,336
Indirect Costs Fund Transfer	(3,426)	-	-	(3,426)
Loss on Disposal of Capital Assets	-	-	-	-
Total Non-Operating Revenues (Expenses)	911,110	42,958	209,316	1,163,384
Change in Net Assets	28,796	(8,221)	(100,574)	(79,999)
Total Net Assets, July 1, 2007	<u>480,512</u>	<u>(37,218)</u>	<u>94,457</u>	<u>537,751</u>
Total Net Assets, June 30, 2008	<u>\$ 509,308</u>	<u>\$ (45,439)</u>	<u>\$ (6,117)</u>	<u>\$ 457,752</u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

Cash Flows from Operating Activities	
Receipts from sales and fees	\$ 779,250
Receipts from other revenues	42,665
Payments to/for employees	(1,316,906)
Payments to suppliers	(545,897)
Payments for contractual services	(16,370)
Other receipts (payments)	(9,342)
	<hr/>
Net Cash Provided (Used) by Operating Activities	(1,066,600)
Cash Flows from Capital & Related Financing Activities	
Purchases of Capital Assets	-
Proceeds from Federal Grants - Indirect	742,380
Proceeds from State Grants	279,945
Payments for Indirect Costs Fund Transfers	(3,426)
	<hr/>
Net Cash Provided (Used) by Capital & Related Financing Activities	1,018,899
Cash Flows from Investing Activities	
Receipt of Interest Income	10,336
	<hr/>
Net Increase in Cash & Cash Equivalents	(37,365)
Balances, Beginning of Year	244,577
	<hr/>
Balances, End of Year	<u><u>\$ 207,212</u></u>
Reconciliation of Operating Income (Loss) to Net Cash	
Provided (Used) by Operating Activities:	
Operating Income (Loss)	\$ (1,243,383)
Adjustments to reconcile operating income to net cash provided	
(used) by operating activities:	
Depreciation	28,708
On-Behalf Payments	141,276
Change in Assets and Liabilities -	
Receivables	-
Inventory	3,321
Accounts Payables	3,478
Due to Other Funds	-
	<hr/>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (1,066,600)</u></u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008**

	Fiscal Agent Fund	Private Purpose Trust Funds	Agency Funds
Assets			
Cash & Cash Equivalents	\$ -	\$ 99,299	\$ -
Accounts Receivable	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	-	99,299	-
	<hr/>	<hr/>	<hr/>
Liabilities			
Accounts Payable	-	-	-
Due to Student Groups	-	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	-	-	-
	<hr/>	<hr/>	<hr/>
Net Assets Held in Trust	<u>\$ -</u>	<u>\$ 99,299</u>	<u>\$ -</u>

See accompanying notes to financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS -
FIDUCIARY FUNDS
JUNE 30, 2008

	Fiscal Agent Fund	Private Purpose Trust Funds
Additions		
Tuition from Individuals	\$ -	\$ 99,299
Restricted Federal Revenues - Indirect	-	-
Net Interest	-	-
	<hr/>	<hr/>
Total Additions	-	99,299
 Deductions		
Benefits Paid	\$ 25,720	\$ -
Operating Transfers Out	-	-
	<hr/>	<hr/>
Total Deductions	<u>25,720</u>	<u>-</u>
 Change in Net Assets	 (25,720)	 99,299
 Net Assets, Beginning of Year	 <u>25,720</u>	 <u>-</u>
 Net Assets, End of Year	 <u><u>\$ -</u></u>	 <u><u>\$ 99,299</u></u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bardstown Independent Board of Education ("Board"), a five-member group, is the level of government which has oversight responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Bardstown Independent Board of Education ("District"). The District receives funding from Local, State and Federal government sources and must comply with the commitment requirements of these funding source entities. However, the District is not included in any other governmental "reporting entity" as defined in Section 2100, Codification of Governmental Accounting and Financial Reporting Standards. Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to develop policies which may influence operations and primary accountability for fiscal matters.

The District, for financial purposes, includes all of the funds and account groups relevant to the operation of the Bardstown Independent Board of Education. The financial statements presented herein do not include funds of groups and organizations, which although associated with the school system, have not originated within the Board itself such as Band Boosters, Parent-Teacher Associations, etc.

The financial statements of the District include those of separately administered organizations that are controlled by or dependent on the Board. Control or dependence is determined on the basis of budget adoption, funding and appointment of the respective governing board.

Based on the foregoing criteria, the financial statements of the following organization are included in the accompanying financial statements:

Bardstown Independent Board of Education Finance Corporation – In a prior year the Board of Education resolved to authorize the establishment of the Bardstown Independent School District Finance Corporation (a non-profit, non-stock, public and charitable corporation organized under the School Bond Act and KRS 273 and KRS Section 58.180) (the "Corporation") as an agency for the District for financing the costs of school building facilities. The members of the Board also comprise the Corporation's Board of Directors.

Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues of the District, with certain limited exceptions. The comparison of direct

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements – Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and current liabilities, and a statement of revenues, expenditures and changes in fund balances, which reports on the changes in net total assets. Proprietary funds and fiduciary funds are reported using the economic resources measurement focus. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary activities.

The District has the following funds:

I. Governmental Fund Types

- (A) The General Fund is the main operating fund of the Board. It accounts for financial resources used for general types of operations. This is a budgeted fund, and any fund balances are considered as resources available for use. Reservations have been placed on the fund balance for outstanding encumbrances, allocation to the schools' site based decision making councils, and accrued sick leave. This is a major fund of the District.
- (B) The Special Revenue (Grant) Funds account for proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to disbursements for specified purposes. It includes federal financial programs where unused balances are returned to the grantor at the close of the specified project periods as well as the state grant programs. Project accounting is employed to maintain integrity for the various sources of funds. The separate projects of federally-funded grant programs are identified in the Schedule of Expenditures of Federal Awards included in this report on pages 40 and 41. This is a major fund of the District.
- (C) Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment (other than those financed by Proprietary Fund).
 - 1. The Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund receives those funds designated by the state as Capital Outlay Funds and is restricted for use in financing projects identified in the district's facility plan.
 - 2. The Facility Support Program of Kentucky (FSPK) accounts for funds generated by the building tax levy required to participate in the School Facilities Construction Commission's construction funding and state matching funds, where applicable. Funds may be used for projects identified in the district's facility plan.
 - 3. The Construction Fund accounts for proceeds from sales of bonds and other revenues to be used for authorized construction. This is a major fund of the District.
- (D) Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest and related cost, and for the payment of interest on general obligation notes payable, as required by Kentucky Law.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

II. Proprietary Fund Types (Enterprise Fund)

- (A) The Food Service Fund is used to account for school food service activities, including the National School Lunch Program, which is conducted in cooperation with the U.S. Department of Agriculture (USDA). Amounts have been recorded for in-kind contribution of commodities from the USDA. The Food Service Fund is a major fund.
- (B) The business agent fund is used to account for vending machine revenues.

The District applies all GASB pronouncements to proprietary funds as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

III. Fiduciary Fund Type (Agency and Private Purpose Trust Funds)

- (A) The Agency fund accounts for activities of student groups and other types of activities requiring clearing accounts. These funds are accounted for in accordance with the Uniform Program of Accounting for School Activity Funds.
- (B) The Private Purpose Trust funds are used to report trust arrangements under which principal and income benefit individuals, private organizations or other governments.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting.

Revenues – Exchange and Non-exchange Transactions – Revenues resulting from exchange transactions, in which each party receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resource are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenues from non-exchange transactions must also be available before it can be recognized.

Deferred Revenue – Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Grants and entitlements received before the eligibility requirements are met are recorded as deferred revenue.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses, and changes in net assets as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported as deferred revenue.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Property Taxes

Property Tax Revenues – Property taxes are levied each September on the assessed value listed as of the prior January 1, for all real and personal property in the county. The billings are considered due upon receipt by the taxpayer; however, the actual date is based on a period ending 30 days after the tax bill mailing. Property taxes collected are recorded as revenues in the fiscal year for which they were levied. All taxes collected are initially deposited into the General Fund and then transferred to the appropriate fund.

The property tax rates assessed for the year ended June 30, 2008, to finance the General Fund operations were 60.9¢ per \$100 valuation for real property, 62.0¢ per \$100 valuation for business personal property and 53.1¢ per \$100 valuation for motor vehicles.

The District levies a utility gross receipts license tax in the amount of 3% of the gross receipts derived from the furnishings, within the district, of telephonic and telegraphic communications services, cablevision services, electric power, water, and natural, artificial and mixed gas.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of one thousand dollars with the exception of computers, digital cameras and real property for which there is no threshold. The District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an assets life are not.

All reported capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives for both general capital assets and proprietary fund assets:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Buildings and improvements	25-50 years
Land improvements	20 years
Technology equipment	5 years
Vehicles	5-10 years
Food service equipment	10-12 years
Furniture and fixtures	7 years

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due from/to other funds". These amounts are eliminated in the governmental and business-type activities columns of the statements of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Accumulated Unpaid Sick Leave Benefits

Upon entering the Kentucky Teachers' Retirement System, certified employees will receive from the District an amount equal to 30% of the total value of unused sick days multiplied by the daily pay rate.

Sick leave benefits, which have no maximum value, are accrued using the termination payment method. An accrual for earned sick leave is made to the extent that it is probable that the benefits will result in termination payments based on the District's past experience of making termination payments. The entire compensated absence liability is recorded as long-term liabilities on the District - wide Statement of Net Assets since these liabilities are not expected to be liquidated with expendable available financial resources.

Budgetary Process

Budgetary Basis of Accounting: The District's budgetary process accounts for certain transactions on a basis other than Generally Accepted Accounting Principles (GAAP). The major differences between the budgetary basis and the GAAP basis are:

Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Expenditures are recorded when paid in cash (budgetary) as opposed to when susceptible to accrual (GAAP).

Once the budget is approved, it can be amended. Amendments are presented to the Board at their regular meetings. Per Board policy, only amendments that aggregate greater than \$50,000 require Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end in accordance with state law.

Each budget is prepared and controlled by the budget coordinator at the revenue and expenditure function/object level. All budget appropriations lapse at year end.

Cash and Cash Equivalents

The District considers demand deposits, money market funds, and other investments with an original maturity of 90 days or less, to be cash equivalents.

Inventories

On government-wide financial statements inventories are stated at cost and are expensed when used.

On fund financial statements inventories are stated at cost. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Inventories of purchased goods of the Enterprise Fund are carried at cost on a first-in first-out basis. Inventories of donated commodities of the Enterprise Fund are recognized at the fair value when received.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Prepaid Assets

Payments made that will benefit periods beyond June 30, 2008 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, accumulated sick leave, contractually required pension contributions and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within sixty days after year end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for inventories and fixed assets.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, those revenues are primarily charges for meals provided by the various schools.

Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of fixed assets, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

NOTE 2 – ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the District's management to make estimates and assumptions that affect reported amounts of assets, liabilities, fund balances, and disclosure of contingent assets and liabilities at the date of the general purpose financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE 3 – CASH AND CASH EQUIVALENTS

At year-end, the carrying amount of the District's total cash and cash equivalents was \$2,493,936. Of the total cash balance, \$200,000 was covered by Federal Depository insurance, with the remainder covered by collateral agreements and collateral held by the pledging banks' trust departments in the District's name. Cash equivalents are funds temporarily invested in securities with a maturity of 90 days or less.

Breakdown per financial statements:

Governmental Funds	\$2,187,427
Proprietary Funds	207,210
Fiscal Agent & Private Purpose Trust Funds	99,299
Agency Funds	-
	<u>\$2,493,936</u>

The District's cash and cash equivalents are categorized as either (1) insured or collateralized with securities held by the entity or by its agent in the entity's name (2) collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name (3) uncollateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

Categories			Carrying Amount	Market Value
1	2	3		
\$ 200,000	-	\$ 2,293,936	\$ 2,493,936	\$ 2,493,936

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS

The District, through the General Fund (including utility taxes and the Support Education Excellence in Kentucky (SEEK) Capital Outlay Fund) is obligated to make payments in amounts sufficient to satisfy debt service requirements on bonds issued by the Bardstown Independent Fiscal Court to construct school facilities. The District has an option to purchase the property under lease at any time by retiring the bonds then outstanding.

In connection with the school revenue bonds issued after May 1, 1996 the District entered into "participation agreements" with the School Facility Construction Commission. The Commission was created by the Kentucky General Assembly for the purpose of assisting local school districts in meeting school construction needs. The table below sets forth the amount to be paid by the District and the Commission for each year until maturity of all bond issues. The liability for the total bond amount remains with the District and, as such, the total principal outstanding has been recorded in the financial statements.

The bonds may be called prior to maturity and redemption premiums are specified in each issue. Assuming no bonds are called prior to scheduled maturity, the minimum obligations of the District, including amounts to be paid by the Commission, at June 30, 2008 for debt service (principal and interest) are as follows:

		Bardstown			Kentucky School	
		Total	School District		Construction Commission	
Year		Requirement	Principal	Interest	Principal	Interest
2008	2009	\$ 2,047,230	\$ 1,033,578	\$ 921,358	\$ 67,422	\$ 24,873
2009	2010	2,051,209	1,069,589	889,325	70,411	21,885
2010	2011	1,899,830	956,448	851,085	73,552	18,744
2011	2012	1,901,797	993,488	816,014	76,512	15,783
2012	2013	1,856,585	1,024,281	778,945	40,719	12,640
2013	2014	1,845,570	1,062,647	739,472	32,353	11,099
2014	2015	1,852,722	1,111,539	697,731	33,461	9,991
2015	2016	1,851,672	1,155,376	652,843	34,624	8,828
2016	2017	1,853,078	1,204,112	605,513	35,888	7,564
2017	2018	1,851,567	1,252,795	555,322	37,205	6,245
2018	2019	1,852,710	1,306,403	502,855	38,597	4,855
2019	2020	1,850,923	1,359,947	447,525	40,053	3,398
2020	2021	1,824,800	1,424,596	387,974	10,404	1,826
2021	2022	1,825,565	1,489,180	324,156	10,820	1,410
2022	2023	1,827,963	1,558,737	256,997	11,263	966
2023	2024	1,871,102	1,673,263	185,609	11,737	493
2024	2025	1,322,995	1,230,000	92,995	-	-
2025	2026	1,217,970	1,175,000	42,970	-	-
2026	2027	326,888	315,000	11,888	-	-
2027	2028	93,600	90,000	3,600	-	-
2028	2029	-	-	-	-	-
Totals		\$ 33,025,776	\$ 22,485,979	\$ 9,764,177	\$ 625,021	\$ 150,599

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 4 – BONDED DEBT AND LEASE OBLIGATIONS – CONTINUED

On December 1, 2007, the District issued \$940,000 of refunding revenue bonds with interest rates ranging between 3.25% and 3.9%. The District issued the bonds to advance refund \$865,000 of the outstanding Series 2000 revenue bonds with an average interest rate of 5.45%. The net proceeds were paid to an escrow agent to purchase securities to provide for all future debt service on the refunded portion of the 2000 series bonds. As a result, that portion of the 2000 series bonds is considered defeased, and the District has removed the liability from its accounts. The advance refunding reduced the total debt service payments over the next 12 years by nearly \$53,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$43,356.

On January 1, 2008, the District issued \$165,487 of KISTA capital lease bonds for the purpose of purchasing two buses. The bonds carry interest rates of 3.0% to 3.75% and mature between September 1, 2008 and March 1, 2018.

On May 1, 2008, the District issued \$1,620,000 of revenue bonds for the purpose of constructing school buildings. These bonds carry interest rates of 2.3% to 4.0% and mature between November 1, 2008 and May 1, 2028.

NOTE 5 – RETIREMENT PLANS

Kentucky Teachers' Retirement System

Plan Description - The District participates in the Kentucky Teachers' Retirement System (KTRS), which is a cost sharing, multiple-employer defined benefit pension plan created by the 1938 General Assembly and governed by Chapter 161 Section 220 through Chapter 161 Section 990 of the Kentucky Revised Statutes (KRS). KTRS covers all regular certified full-time employees of the District. The plan provides for retirement, disability and death benefits. KTRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report can be obtained by writing to Kentucky Teachers' Retirement System, 479 Versailles Road, Frankfort, Kentucky 40601-3800.

Funding Policy – Contribution rates are established by KRS. Participating employees are required to contribute 9.855% of creditable compensation. Matching contributions of 13.105% of creditable compensation are required to be made by the state. The federal program for any salaries paid by that program pays the matching contributions. KTRS requires that members of KTRS occupy a position requiring either a four (4) year college degree or certification by Kentucky Department of Education (KDE).

The District's total payroll for the year was \$14,289,490, of which \$10,216,238 was creditable compensation for KTRS participants. For the year ended June 30, 2008, the District contributed \$43,840, which represents creditable compensation of those employees paid by federal programs. The state contributed \$1,252,011 for the year ended June 30, 2008.

The District's required contributions (both withholding and match) for pension obligations to KTRS for the fiscal year ended June 30, 2008 was \$1,018,323.

County Employees Retirement System

Plan Description - Employees who work on average of 80 hours per month over their contract participate in the County Employees Retirement System (CERS), which is a cost sharing, multiple-employer public employee's retirement system created by and operating under Kentucky law.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008

NOTE 5 – RETIREMENT PLANS - CONTINUED

The CERS covers substantially all regular non-certified full-time employees of each county and school board, and any additional local agencies electing to participate. The plan provides for retirement, disability and death benefits. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained in writing from the CERS, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601-6124.

Funding Policy - Participating employees contribute 5.00% of creditable compensation. The District contributed 16.17% of creditable compensation during the fiscal year ended June 30, 2008. The Board of Trustees of the Kentucky Retirement Systems determines the contribution rates.

The District's required contributions (both withholding and match) for pension obligations to CERS for the fiscal year ended June 30, 2008 was \$862,308.

NOTE 6 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	741,001.00	-	-	741,001.00
Construction in progress	-	97,780.12	-	97,780.12
Total capital assets not being depreciated	741,001.00	97,780.12	-	838,781.12
Capital assets being depreciated				
Buildings and Building Improvements	31,858,336.79	-	-	31,858,336.79
Technology Equipment	2,889,103.94	199,027.75	(158,943.00)	2,929,188.69
Vehicles	973,385.00	-	(17,500.00)	955,885.00
General Equipment	875,167.10	-	(1,912.00)	873,255.10
Total assets being depreciated	36,595,992.83	199,027.75	(178,355.00)	36,616,665.58
Less accumulated depreciation for				
Buildings and Building Improvements	(7,925,582.86)	(954,513.19)	-	(8,880,096.05)
Technology Equipment	(1,025,803.92)	(151,221.39)	156,822.65	(1,020,202.66)
Vehicles	(710,288.36)	(52,193.30)	17,500.00	(744,981.66)
General Equipment	(785,444.91)	(42,844.37)	1,912.00	(826,377.28)
Total accumulated depreciation	(10,477,120.05)	(1,200,772.25)	176,234.65	(11,471,657.65)
Total capital assets being depreciated, net	26,148,872.78	(1,001,744.51)	(2,120.35)	25,145,007.93
Governmental Activities Capital Assets, Net	\$26,859,873.78	(903,965.38)	(2,120.35)	25,983,789.05

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 6 – CAPITAL ASSETS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital assets being depreciated				
Technology Equipment	3,394.00			3,394.00
General Equipment	563,262.64	-	(1,000.00)	562,262.64
Total assets being depreciated	566,656.64	-	(1,000.00)	565,656.64
Less accumulated depreciation for				
Technology Equipment	(1,696.98)	(160.01)	-	(1,856.99)
General Equipment	(312,090.66)	(28,548.27)	1,000.00	(339,638.93)
Total accumulated depreciation	(313,787.64)	(28,708.28)	1,000.00	(341,495.92)
Total capital assets being depreciated, net	252,869.00	(28,708.28)	-	224,160.72
Business-type Activities Capital Assets, Net	\$252,869.00	(28,708.28)	-	224,160.72

NOTE 7 – COMMITMENTS

Leases

The following is a schedule by years of future minimum rental payments required under operating leases for office equipment that have initial non-cancelable lease terms in excess of one year as of June 30, 2008

Year Ending June 30,	
2009	\$104,952.78
2010	\$104,012.28
Total minimum payments	\$208,965.06

NOTE 8 - CONTINGENCIES

The District receives funding from Federal, State and Local government agencies and private contributions. These funds are to be used for designated purposes only. For government agency grants, if based upon the grantor's review, the funds are considered not to have been used for the intended purpose, the grantors may request a refund of monies advanced, or refuse to reimburse the District for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 9 - INSURANCE AND RELATED ACTIVITIES

The District is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas is covered through the purchase of commercial insurance. The District has purchased certain policies which are retrospectively rated which includes Workers' Compensation insurance.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to injuries to employees. To obtain insurance of workers' compensation, errors and omissions, and general liability coverage, the District participates in the Kentucky School Boards Insurance Trust Liability Insurance Fund. The public entity risk pools operate as common risk management and insurance programs for all school district and other tax supported educational agencies of Kentucky who are members of the Kentucky School Boards Association. The District pays an annual premium to each fund for coverage. Contributions to the Workers' Compensation fund are based on premium rates established by such fund in conjunction with the excess insurance carrier, subject to claims experience modifications and a group discount amount. Dividends may be declared, but are not payable until twenty-four (24) months after the expiration of the self-insurance term. The Liability Insurance fund pays insurance premiums of the participating members established by the insurance carrier. The Trust can terminate coverage if it is unable to obtain acceptable excess general liability coverage and for any reason by giving ninety (90) days notice. In the event the Trust terminated coverage, any amount remaining in the Fund (after payment of operational and administrative costs and claims for which coverage was provided) would be returned to the members on a pro-rata basis.

The District purchases unemployment insurance through the Kentucky School Boards Insurance Trust Unemployment Compensation Fund; however, risk has not been transferred to such fund. In addition, the District continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11 - DEFICIT OPERATING BALANCES

The Capital Outlay Fund of the District currently has a deficit fund balance of (810). Also, the following funds have operations that resulted in a current year deficit of revenues over expenditures resulting in a corresponding reduction of fund balance: General Fund \$(524,475); Capital Outlay Fund \$(120,133).

NOTE 12 - COBRA

Under COBRA, employers are mandated to notify terminated employees of available continuing insurance coverage. Failure to comply with this requirement may put the school district at risk for a substantial loss (contingency).

NOTE 13 - CORRECTION OF PRIOR PERIOD ERRORS

During the year, it was determined that the FSPK SEEK amount of the local nickel tax to be transferred from the General Fund to the Building Fund was calculated incorrectly from fiscal year ended 6-30-1999 through fiscal year ended 6-30-2007. The actual transfers made for FY1999 through FY2007 were \$7,530,828. The transfers that should have been made using the correct calculation formula were \$7,032,271. This resulted in a difference of \$498,557 being incorrectly transferred from the General Fund to the Building Fund in prior years. The beginning fund balance of the General Fund of \$676,310, as originally reported, has been increased by \$498,557 to \$1,174,867 and the beginning fund balance of the Building Fund of \$648,267, as originally reported, has been decreased by \$498,557 to \$149,710.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS - CONTINUED
YEAR ENDED JUNE 30, 2008**

NOTE 13 – CORRECTION OF PRIOR PERIOD ERRORS - CONTINUED

During the year, it was determined that a voided check in the Construction Fund for \$75,202 from a prior year was never restored to cash and was reissued for the same amount. Also, the \$75,202 was included in interfund transfers both when the original check was written and when the replacement check was written. These two errors in the prior year resulted in the Construction Fund balance and Construction Fund cash balance being understated by \$150,404. Therefore, the beginning fund balance of the Construction Fund of \$(140,539), as originally reported, has been increased by \$150,404 to \$9,865.

Also discovered during the year was an error in reporting depreciation and accumulated depreciation in the governmental activities during the prior period and the omission of reporting of a long-term capital lease obligation bond in the prior period.

As a result of the errors in the two preceding paragraphs, beginning net assets of governmental activities of \$5,432,449, as originally reported, has been decreased by \$(41,609) to \$5,390,840. The \$(41,609) adjustment was derived from \$150,404 increase from the Construction Fund error, \$(44) decrease due to the error in accumulated depreciation for governmental activities depreciable capital assets, and a decrease of \$(191,969) due to the omission of capital lease bond long-term debt.

NOTE 14 – LITIGATION

Currently the district is not involved with any litigation.

NOTE 15 – SUBSEQUENT EVENTS

On October 3, 2008, Congress temporarily increased FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2009.

Supplementary Information

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:			
From Local Sources -			
Taxes -			
Property	\$ 4,533,255	\$ 4,133,550	\$ (399,705)
Motor Vehicle	330,341	324,517	(5,824)
Utilities	964,167	947,149	(17,018)
Tuition and Fees	29,000	30,609	1,609
Earnings on Investments	185,000	109,466	(75,534)
Other Local Revenues	28,221	33,608	5,387
Intergovernmental - State	7,973,379	10,851,961	2,878,582
Intergovernmental - Direct Federal	-	134	134
Total Revenues	<u>14,043,363</u>	<u>16,430,994</u>	<u>2,387,631</u>
Expenditures			
Instruction	8,330,874	10,238,821	(1,907,947)
Support Services:			
Student	782,132	886,402	(104,270)
Instructional Staff	514,954	692,295	(177,341)
District Administration	955,758	1,200,558	(244,800)
School Administrative	1,069,666	1,280,407	(210,741)
Business Support	171,447	184,472	(13,025)
Plant Operation & Maintenance	1,299,742	1,386,217	(86,475)
Student Transportation	683,524	775,427	(91,903)
Enterprise Operation	1,280	1,070	210
Facilities Acquisition & Construction	-	-	-
Community Services Activities	139,118	167,052	(27,934)
Debt Service	90,236	89,608	628
Contingency	647,773	-	647,773
Total Expenditures	<u>14,686,504</u>	<u>16,902,329</u>	<u>(2,215,825)</u>
Excess (Deficit) of Revenues Over Expenditures	(643,141)	(471,335)	171,806
Other Financing Sources (Uses)			
Proceeds from Sale of Bonds	-	-	-
Proceeds from Sale of Fixed Assets	-	400	400
Operating Transfers In	-	-	-
Operating Transfers Out	(31,572)	(53,540)	(21,968)
Total Other Financing Sources (Uses)	<u>(31,572)</u>	<u>(53,140)</u>	<u>(21,568)</u>
Excess (Deficit) of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	(674,713)	(524,475)	150,238
Fund Balance, July 1, 2007, as previously reported	674,713	676,310	1,597
Net effect of correction of prior period error	-	498,557	498,557
Fund Balance, June 30, 2008	<u><u>\$ -</u></u>	<u><u>\$ 650,392</u></u>	<u><u>\$ 650,392</u></u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

<u>U.S. Department Of Education</u>	<u>CFDA Number</u>	<u>Pass Through Number</u>	<u>Expenditures</u>
Passed through the Kentucky Department of Education:			
Title I, FY 2006-2007	84.010	3100002-07	3,967
Title I, FY 2007-2008	84.010	3100002-08	627,066
			<u>631,033</u>
Title V, FY 2005-2006	84.298	3500002-06	269
Title V, FY 2006-2007	84.298	3500002-07	1,182
Title V, FY 2007-2008	84.298	3500002-08	1,050
			<u>2,501</u>
IDEA - Basic, FY 2006-2007	84.027	3810002-07	51,837
IDEA - Basic, FY 2007-2008	84.027	3810002-08	456,616
			<u>508,453</u>
IDEA - Preschool, FY 2006-2007	84.173	3800002-07	11,128
IDEA - Preschool, FY 2007-2008	84.173	3800002-08	16,977
			<u>28,105</u>
Vocational Education, FY 2003-2004	84.048	4620832-04	2,147
Vocational Education, FY 2004-2005	84.048	4620832-05	331
Vocational Education, FY 2005-2006	84.048	4620832-06	748
Vocational Education, FY 2006-2007	84.048	4620832-07	6,640
Vocational Education, FY 2007-2008	84.048	4620832-08	17,526
			<u>27,392</u>
Vocational Rehab, FY 2004-2005	84.002		19,847
Vocational Rehab, FY 2005-2006	84.002		13,016
Vocational Rehab, FY 2006-2007	84.002		1,777
			<u>34,640</u>
Title II, Part D Federal Ed Tech, FY 2005-2006	84.318	3210002-06	2,944
Title II, Part D Federal Ed Tech, FY 2006-2007	84.318	3210002-07	1,520
Title II, Part D Federal Ed Tech, FY 2007-2008	84.318	3210002-08	5,752
			<u>10,216</u>
Title IV, FY 2006-2007	84.186	3410002-07	1,461
Title IV, FY 2007-2008	84.186	3410002-08	12,129
			<u>13,590</u>
Title II, FY 2005-2006	84.367A	3230002-06	17
Title II, FY 2006-2007	84.367A	3230002-07	2,011
Title II, FY 2007-2008	84.367A	3230002-08	111,761
			<u>113,789</u>
Central Ky Special ED Coop Mini Grant, FY 2006-2007	84.027		2,000
			<u>2,000</u>
Norm-Referenced Testing Funds, FY 2006-2007	84.369		724
			<u>724</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

Passed through the Clark County Consortium:			
Title III Limited English Proficiency	84.365	3300002-08	2,521
			<u>2,521</u>
Total U.S. Department of Education			1,374,964
<u>U.S. Department of Human Resources</u>			
Passed through the Kentucky Department of Education:			
Workforce Investment Act, fiscal year 2007-2008	17.259	272SR08-08	23,500
			<u>23,500</u>
Total U.S. Department of Human Resources			23,500
<u>U.S. Department of Agriculture</u>			
Passed through the Kentucky Department of Education:			
National School Lunch Program, fiscal year 2006-2007	10.555	7750002-07	124,092
National School Lunch Program, fiscal year 2007-2008	10.555	7750002-08	430,849
			<u>554,941</u>
National School Breakfast, fiscal year 2006-2007	10.553	7760005-07	47,330
National School Breakfast, fiscal year 2007-2008	10.553	7760005-08	163,315
			<u>210,645</u>
National Summer Meal Program, fiscal year 2006-2007	10.559	7690024-07	3,426
National Summer Meal Program, fiscal year 2007-2008	10.559	7690024-08	1,593
National Nutrition & Health Services, FY 2006-2007	10.559	7740023-07	33,203
National Nutrition & Health Services, FY 2007-2008	10.559	7740023-08	15,430
			<u>53,652</u>
Total U.S. Department of Agriculture			819,238
Total Expenditure of Federal Awards			<u>\$ 2,217,702</u>

See accompanying notes to Schedule of Expenditures of Federal Awards.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Bardstown Independent School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Total amount of commodities received by the food service operation for the year was \$74,822.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET FOR NONMAJOR GOVERNMENTAL FUNDS
AS OF JUNE 30, 2008**

	<u>Capital Outlay Fund</u>	<u>Building Fund</u>	<u>Totals</u>
Assets & Resources:			
Cash & Cash Equivalents - Restricted	\$ 53	\$ 205,915	\$ 205,968
Accounts Receivable	-	-	-
Investments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets & Resources	<u>\$ 53</u>	<u>\$ 205,915</u>	<u>\$ 205,968</u>
Liabilities & Fund Balances:			
Liabilities			
Accounts Payable	\$ 863	\$ -	\$ 863
Deferred Revenue	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>863</u>	<u>-</u>	<u>863</u>
Fund Balances:			
Unreserved:			
Undesignated, reported in:			
Capital Projects Funds	<u>(810)</u>	<u>205,915</u>	<u>205,105</u>
Total Fund Balances	<u>(810)</u>	<u>205,915</u>	<u>205,105</u>
Total Liabilities & Fund Balances	<u>\$ 53</u>	<u>\$ 205,915</u>	<u>\$ 205,968</u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	Capital Outlay Fund	Building Fund	Totals
Revenues:			
From Local Sources			
Taxes			
Property	\$ -	\$ 1,435,791	\$ 1,435,791
Tuition and Fees	-	-	-
Earnings on Investments	-	-	-
Other Local Revenues	-	-	-
Intergovernmental - Intermediate	-	-	-
Intergovernmental - State	203,020	336,042	539,062
Intergovernmental - Indirect Federal	-	-	-
Intergovernmental - Direct Federal	-	-	-
Total Revenues	<u>203,020</u>	<u>1,771,833</u>	<u>1,974,853</u>
Expenditures			
Instruction	-	-	-
Support Services:			
Student	-	-	-
Instructional Staff	-	-	-
District Administration	-	-	-
School Administrative	-	-	-
Business	-	-	-
Plant Operation & Maintenance	323,153	-	323,153
Student Transportation	-	-	-
Central Office	-	-	-
Facilities Acquisition & Maintenance	-	-	-
Community Service Activities	-	-	-
Debt Service	-	1,715,629	1,715,629
Total Expenditures	<u>323,153</u>	<u>1,715,629</u>	<u>2,038,782</u>
Excess (Deficit) of Revenues Over Expenditures	(120,133)	56,204	(63,929)
Other Financing Sources (Uses)			
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficit) of Revenue & Other Financing Sources Over Expenditures & Other Financing Uses	(120,133)	56,204	(63,929)
Fund Balance, July 1, 2007, as previously reported	119,324	648,267	767,591
Net effect of correction of prior period error	<u>-</u>	<u>(498,557)</u>	<u>(498,557)</u>
Fund Balance, June 30, 2008	<u>\$ (809)</u>	<u>\$ 205,914</u>	<u>\$ 205,105</u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES -
ALL ACTIVITY FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Cash Balance July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2008</u>
Bardstown Elementary School	\$ 23,061.55	\$ 38,131.38	\$ 44,531.36	\$ 16,661.57
Bardstown Middle School	32,421.16	194,454.93	195,411.38	31,464.71
Bardstown High School	59,594.64	386,551.34	382,221.99	63,923.99
Bardstown Primary School	20,631.67	37,091.82	42,033.06	15,690.43
Bardstown Early Childhood	\$ 4,398.16	\$ 9,961.12	\$ 9,933.81	\$ 4,425.47
Totals	<u>\$ 140,107.18</u>	<u>\$ 666,190.59</u>	<u>\$ 674,131.60</u>	<u>\$ 132,166.17</u>

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES -
BARDSTOWN INDEPENDENT HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	Cash Balance July 1, 2007	Receipts	Disbursements	Cash Balance June 30, 2008
All A Classic	\$ -	\$ 8,947.20	\$ 8,947.20	\$ -
Athletics- Game Expense	-	16,771.64	16,771.64	-
Athletics-General	-	9,808.66	9,808.66	-
Athletics- Gate Receipts	-	52,827.03	52,827.03	-
Athletics- Transportation	-	-	-	-
Banquets	-	6,997.88	6,997.88	-
Baseball	-	846.97	846.97	-
All A Basketball	-	6,656.00	6,656.00	-
Basketball- Banners	-	-	-	-
Basketball - Boys	-	3,361.50	3,361.50	-
Basketball - Girls	-	3,030.31	3,030.31	-
Century Club - Football	-	2,575.00	2,566.30	8.70
Boys Basketball Camp	-	-	-	-
Cheerleaders	-	2,581.40	2,581.40	-
Cross Country	-	1,176.77	1,176.77	-
Dance Team	-	-	-	-
District Tournament	-	9,029.00	9,029.00	-
5th Region Coaches	-	-	-	-
Football	-	12,141.61	12,141.61	-
Football Playoffs	-	6,059.56	6,059.56	-
Friends Of Athletics	5.05	418.33	-	423.38
Friends Of Baseball	1,735.24	8,612.32	9,424.42	923.14
Friends Of Boys Basketball	10,654.09	8,298.66	9,710.33	9,242.42
Friends Of Cheerleading	1,163.84	12,559.87	12,724.70	999.01
Friends Of Chorus	-	-	-	-
Friends Of Cross Country	52.00	520.00	16.00	556.00
Friends Of Football	46.00	-	-	46.00
Friends Of Girls Basketball	2,552.94	12,658.75	14,404.94	806.75
Friends Of Boys Soccer	729.50	4,119.82	2,767.75	2,081.57
Friends Of Girls Soccer	2,532.35	6,671.25	9,115.09	88.51
Friend Of Golf	2,431.11	3,599.00	1,522.22	4,507.89
Friends Of Softball	1,739.64	695.55	1,795.48	639.71
Friends of Theatre Guild	-	4,743.78	4,743.78	-
Friends Of Tennis	144.50	343.00	46.00	441.50
Friends Of Track	4,803.94	11,600.80	9,642.72	6,762.02
Friends Of Volleyball	507.28	3,440.50	3,070.83	876.95
Garnis Martin Bowl	-	-	-	-
Golf	-	579.32	579.32	-
19th District Basketball	-	17,294.00	17,294.00	-
Region Tournaments	-	10,855.49	10,855.49	-
Ron Greenwell Scholarship	225.00	150.00	375.00	-
Soccer- Boys	-	859.00	859.00	-
Soccer- Girls	-	930.41	930.41	-
Softball/ Fast Pitch	-	1,259.73	1,259.73	-

See accompanying notes to financial statements.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES -
BARDSTOWN INDEPENDENT HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Cash Balance July 1, 2007</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Cash Balance June 30, 2008</u>
Special Acct - Sign	-	13,481.10	13,188.76	292.34
Sports Programs	-	805.00	805.00	-
Tennis	-	1,340.34	1,340.34	-
Track	-	873.94	873.94	-
Uniforms (Athletic)	-	7,992.00	7,992.00	-
Volleyball	-	374.00	374.00	-
Football Prints & Rings	-	-	-	-
Academic Club	-	1,837.08	1,837.08	-
African American Club	413.90	525.00	573.20	365.70
Accountability Testing	-	-	-	-
Annual/ Yearbook	3,924.13	8,891.30	10,089.33	2,726.10
Art Club	139.50	235.00	268.56	105.94
Blue Dot Books	894.88	3,947.47	3,793.96	1,048.39
Central Kentucky Academy	-	1,500.00	1,228.57	271.43
Chess Club	-	375.32	253.98	121.34
Chorus	355.42	12,789.71	12,187.15	957.98
Counselor - K. Martin	16.28	-	-	16.28
Diversity	-	750.00	750.00	-
Drama	-	3,282.11	3,282.11	-
FBLA Club	-	5,337.02	5,337.02	-
FCCLA	-	860.25	750.00	110.25
Fellowship Christian	339.58	360.00	262.04	437.54
FHA Club	-	-	-	-
4-H Club	214.29	-	-	214.29
Friends Of FBLA	-	-	-	-
French Club	198.64	470.00	668.64	-
Freshman Class	25.38	2,497.30	1,910.27	612.41
General Fund	962.78	7,894.99	5,600.77	3,257.00
Graduation Fees	189.60	-	-	189.60
Hardman Special Ed	37.10	-	-	37.10
Heart Of Kentucky	1,581.33	-	1,581.30	0.03
Health & P.E.	-	1,020.00	-	1,020.00
Home Ec Department	-	1,140.00	272.49	867.51
Industrial Technology	498.55	738.00	69.98	1,166.57
Intercession Enrichment	-	-	-	-
Interest On Accounts	214.72	1,923.91	1,843.61	295.02
JAG - Belinda Hodges	-	-	-	-
Journalism/Tiger Newspaper	216.66	1,172.50	977.86	411.30
Junior Class	25.89	5.00	-	30.89
Junior / Senior Prom	2,779.85	11,670.68	10,324.51	4,126.02
KY Youth Assembly	-	-	-	-
Key Club	3,717.52	1,301.21	1,251.00	3,767.73
Literary Arts Magazine	-	-	-	-
National Honor Society	956.05	1,520.00	1,140.41	1,335.64

See accompanying notes to financial statements.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CASH BALANCES -
BARDSTOWN INDEPENDENT HIGH SCHOOL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2008

	Cash Balance July 1, 2007	Receipts	Disbursements	Cash Balance June 30, 2008
National Forensic	-	-	-	-
Night School	913.98	-	-	913.98
Outdoor Classroom	-	-	-	-
Pep Club	34.07	1,512.00	1,459.71	86.36
Project Graduation	25.56	-	-	25.56
Reading Program	-	-	-	-
School Improvement	-	-	-	-
Science Club	215.60	6.00	19.11	202.49
Senior Class	58.55	7,891.50	6,943.70	1,006.35
Administrator Reward	189.02	-	189.02	-
A-School Reward	127.77	-	-	127.77
Group Home Reward	284.85	-	-	284.85
English Reward	-	-	-	-
Math Reward	32.84	-	-	32.84
Science Reward	381.47	297.00	448.00	230.47
Social Studies Reward	82.19	-	-	82.19
French Reward	284.85	-	-	284.85
Spanish Reward	191.72	-	-	191.72
Vocational Reward	746.67	-	-	746.67
P.E. Reward	569.70	-	-	569.70
Art & Humanities Reward	480.33	-	-	480.33
Library Reward	5.26	-	-	5.26
Special Ed Reward	1,161.10	-	-	1,161.10
Sophomore Class	-	-	-	-
Spanish Club	34.30	-	-	34.30
Special Olympics	1,185.08	1,000.00	1,175.35	1,009.73
Speech and Drama Club	-	1,784.50	1,784.50	-
STLP Grant - Student	43.42	-	-	43.42
Student Council	27.00	486.00	222.34	290.66
Sunshine Fund	104.27	2,771.25	2,441.63	433.89
Testing	1,845.68	8,609.00	8,392.31	2,062.37
Textbooks	1,195.27	284.00	510.44	968.83
Tiger Mentoring Team	36.00	-	-	36.00
Teacher Cadet Program	-	85.50	85.50	-
Tiger Pause Newsletter	34.00	-	-	34.00
Tiger Town	97.81	-	-	97.81
TMH- Dorsey	204.21	375.00	579.21	-
TSA Club	-	-	-	-
Vending	1,845.70	3,618.15	5,288.15	175.70
Y Club	-	-	-	-
Youth In Charge	131.84	150.00	165.00	116.84
Due To From	-	7,751.10	7,751.10	-
Software	-	-	-	-
Totals	<u>\$ 59,594.64</u>	<u>\$ 386,551.34</u>	<u>\$ 382,221.99</u>	<u>\$ 63,923.99</u>

See accompanying notes to financial statements.

BROWN & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS FINANCIAL ADVISORS & BUSINESS CONSULTANTS

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William G. Brown, CPA - W. Gilbert Brown III, CPA

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component units, and remaining fund information of the Bardstown Independent School District, as of and for the year ended June 30, 2008, which collectively comprise the Bardstown Independent School District's basic financial statements and have issued our report thereon dated November 13, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the provisions of the *Office of Management and Budget Circular No. A-133, Audits of States, Local Governments, and Non-Profit Organization, Appendix I to the Independent Auditor's Contract-General Audit Requirement, Appendix II to the Independent Auditor's Contract - State Audit Requirement, and Appendix III to the Independent Auditor's Contract - Electronic Submission*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bardstown Independent School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Bardstown Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Bardstown Independent School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Bardstown Independent School District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Reference numbers 2008-1 through 2008-6,

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Bardstown Independent School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bardstown Independent School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item reference number 2008-7.

We noted certain matters that we reported to management of the Bardstown Independent School District, in a separate letter dated November 13, 2008.

Bardstown Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company CPA's

Bardstown, Kentucky
November 13, 2008

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I-Summary of Auditor's Results - Continued

Significant Deficiencies

Internal Control – District Office

2008-1

Fixed Assets has a control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data reliably in accordance with GAAP. Currently fixed assets are being inventoried annually but assets are disposed of throughout the year without being removed from the system until year end.

Bardstown Independent School District Response- Fixed Assets with a concentration on technology assets will be monitored throughout the year by updating a current asset list as items are disposed of and purchased.

Internal Control – Activity Funds

2008-2

During our inspection we found that some of the Multiple Receipt Forms at Bardstown Middle School that we inspected contained only one signature. All Multiple Receipt Forms are to be signed and dated by both the person/teacher remitting the money and the Activity Fund Treasurer. We recommend that the district require the Multiple Receipt Forms to contain two unique signatures before depositing the money collected.

Bardstown Independent School District Response – The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training an employee of the district's finance department will conduct random inspections of the school activity funds throughout the year.

2008-3

During our inspection we found that some of the expenditures that we inspected at Bardstown Middle School, Bardstown Elementary, Bardstown High School, and Bardstown Primary School did not have adequate documentation to support the expenditures. All expenditures should have adequate documentation prior to processing the transaction. We recommend that the district require annual Redbook training.

Bardstown Independent School District Response - The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training an employee of the district's finance department will conduct random inspections of the school activity funds throughout the year.

2008-4

During our inspection we found that some of the fundraisers at Bardstown Early Childhood did not have purchase orders generated or had adequate authorization for the expenditure. All expenditures should have a purchase order created and should be properly authorized prior to transaction being processed. We recommend that the district require annual Redbook training.

Bardstown Independent School District Response - The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training an employee of the district's finance department will conduct random inspections of the school activity funds throughout the year.

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2008**

Section I-Summary of Auditor's Results - Continued

2008-5

During our inspection at Bardstown Early Childhood we found one instance where the Multiple Receipt Form was not completed properly before being submitted to the Activity Fund Treasurer. All Multiple Receipt Forms should have the total amount of money collected and should be signed by the person/teacher remitting the money prior to giving the forms to the Activity Fund Treasurer. We recommend that the district require annual Redbook training.

Bardstown Independent School District Response - The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training an employee of the district's finance department will conduct random inspections of the school activity funds throughout the year.

2008-6

During our inspection at Bardstown High School we found that none of the Multiple Receipt Forms were signed by the Treasurer. Redbook requires that all Multiple Receipt Forms are to be signed and dated by both the person/teacher remitting the money and the Activity Fund Treasurer. We recommend that the district require the Multiple Receipt Forms to contain two unique signatures before depositing the money collected.

Bardstown Independent School District Response - The school district requires all accounting personnel to attend annual Redbook training. In addition to the Redbook training an employee of the district's finance department will conduct random inspections of the school activity funds throughout the year.

Compliance

2008-7 The School District does not have accounting personnel that are trained to prepare the financial statements in GASB Format.

Bardstown Independent School District Response- The school district has decided at this time that they do not need an individual on staff that can prepare the financial statements in GASB format. The members of the district's board and the superintendent have employed a CPA to prepare the compiled financial statements for the audit. Management staff members are highly capable of making all management decisions and are able to perform all management functions.

Section II – Financial Statement of Findings

No matters were reported.

Section III – Federal Award Findings and Questioned Costs

No matters were reported.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
JUNE 30, 2008

Section IV – Prior Year Audit Findings

Internal Control – District Office

Prior year comment – Fixed assets has a control deficiency that could adversely affect the entity's ability to initiate, record, process, and report financial data reliably in accordance with GAAP. Currently fixed assets are being inventoried annually but assets are disposed of throughout the year without being removed from the system until year end.

Current year follow-up- Instances were noted during the current year.

Prior year comment – The School District does not have accounting personnel that are trained to prepare the financial statements in GASB format.

Current year follow-up- The School District is aware of the situation and at this time they have decided that they do not need an individual on staff that can prepare the financial statements in GASB format. The members of the District's board and the superintendent have employed a CPA to prepare the compiled financial statements for the audit. Management staff members are highly capable of making all management decisions and are able to perform all management functions.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Education
Bardstown Independent School District
Bardstown, Kentucky

Compliance

We have audited the compliance of Bardstown Independent School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Bardstown Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Bardstown Independent School District's management. Our responsibility is to express an opinion on Bardstown Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organization. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bardstown Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bardstown Independent School District's compliance with those requirements.

In our opinion, Bardstown Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of Bardstown Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Bardstown Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bardstown Independent School District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the school board, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brown & Company CPA's

Bardstown, Kentucky
November 13, 2008

MANAGEMENT LETTER COMMENTS

BROWN & COMPANY

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William G. Brown, CPA - W. Gilbert Brown III, CPA

Members of the Board of Education of
Bardstown Independent School District
Bardstown, Kentucky

In planning and performing our audit of the financial statements of Bardstown Independent School District for the year ended June 30, 2008, we considered the District's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate report dated November 13, 2008 contains our report on the District's internal control structure. This letter does not affect our report dated November 13, 2008 on the financial statements of the Bardstown Independent School District.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of the Board of Education, management, and others within the organization and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully,

Brown & Company CPA's

Bardstown, Kentucky
November 13, 2008

**BARDSTOWN INDEPENDENT SCHOOL DISTRICT
MANAGEMENT LETTER POINTS
YEAR ENDED JUNE 30, 2008**

CURRENT YEAR COMMENTS

District

Internal Controls

During our audit we were made aware of the fact that the accounts payable clerk has to send out reminder emails on a regular basis in order to get items paid in a timely manner, and when some documentation is received additional assembly time is required before the transaction can be processed.

Bardstown Independent School District Response: The finance officer will address the specific issues with the accounts payable clerk and notify individuals that prepare purchase orders that they need to be submitted for payment timely and with proper authorization and documentation.

STATUS OF PRIOR YEAR FINDINGS AND POINTS

Prior year comments regarding additional training for the accounting staff was addressed and corrected.